

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, May 19, 2016

8:30 A.M.

Members Present: Senator Dick Dever
Ms. Casey Goodhouse
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Yvonne Smith
Ms. Kim Wassim

Via Videoconference: Representative Pamela Anderson
Chairman Jon Strinden

Member Absent: Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Mary Jo Steffes, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Aime Miller, NDPERS
Ms. Mary Ann Welder, NDPERS
Ms. Jan Murtha, Attorney General's Office
Ms. Shelby Schields, Attorney General's Office
Mr. Michael Klepatz, Sanford Health Plan
Mr. Jeff Sandene, Sanford Health Plan
Mr. Kirk Zimmer, Sanford Health Plan
Mr. Danny Weiss, Sanford Health Plan
Mr. Ron Rox, Express Scripts
Ms. Pat Jensen, Express Scripts
Mr. Mike Schwab, ND Pharmacists Association
Ms. Nichole Moore, ND Pharmacists Association
Ms. Briana Fluhrer, ND Pharmacists Association
Mr. Pat Bellmore, BCBS
Mr. Paul Erlendson, Callan
Ms. Julia Moriarty, Callan
Mr. Alex Browning, Callan

Via Videoconference: Mr. Don Schott, Sanford Health Plan
 Mr. Steve Boening, Chairman of the Board, ND Pharmacists
 Association
 Mr. Dave Olig, Southpointe Pharmacy

Chairman Strinden called the meeting to order at 8:35 a.m.

Chairman Strinden called for any questions or comments regarding the minutes of the April 21, 2016 Board meeting.

REPRESENTATIVE ANDERSON MOVED APPROVAL OF THE APRIL 21, 2016 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY SENATOR DEVER AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

ESI Update

Mr. Sandene, SHP, reported that Sanford has been working with ESI for approximately 16 years. Mr. Fox and Ms. Jensen, ESI, made introductions. Mr. Fox provided an overview of the company and indicated they serve 85 million, with 30,000 plus employees. He reported that approximately 50% of Americans have chronic conditions, specialty drugs are being prescribed for many conditions resulting in a cost boom, and evolving patient engagement with members using technology is changing how care is accessed. He reviewed the prescription price index which compared the brand prescription and generic prescription pricing with the consumer price index. Nationwide, the generic fill rate is approximately 85%, with the remaining 15% driving the higher costs. Ms. Jensen then reviewed information relating to ESI's approach to managing pharmacy.

Mr. Fox presented information relating to pharmacy benefit pricing considerations, which included maximum allowable cost (MAC), copay structure, pass through versus traditional pricing, 30 day versus 90 day pharmacy rates, and pharmacy reimbursement timing. Based on questions, Mr. Fox indicated that the government sector uses the pass through model more frequently, where the private sector uses the traditional pricing model.

Mr. Schwab, ND Pharmacists Association, reviewed the concerns of community pharmacists with the Board. He indicated that specialty drugs are defined by the PBM's and community pharmacists are interested in cost savings to members which can be accomplished through benefit design. Regarding MAC, he indicated it is frustrating for community pharmacists because they sign a contract and do not know what they will be paid for in generics (MAC plus dispensing fee). He indicated there is a cost to doing business and there is a value to the pharmacists' time.

The Board had questions.

Asset Liability Study Results

Mr. Collins reported that Callan has completed the asset liability study. He stated that Callan will review the study results with the Board. He also indicated that the Investment Subcommittee of the Board will be meeting to review the results and will provide a recommendation to the Board at the June meeting. The purpose of today's presentation was to familiarize the Board with the study results and determine if there are questions.

Mr. Erlendsen, Ms. Moriarty, and Mr. Browning, Callan, reviewed the study with the Board. Mr. Erlendsen distributed a chart "Historical Large Public Fund Asset Allocation and Returns" to the Board. Mr. Erlendsen indicated that the goal of the study is to identify an appropriate long term strategic asset allocation policy for NDPERS within the three policies that govern the plan (investment policy, funding policy, and benefits policy). The appropriate asset allocation should strike a balance between sustainable funded status volatility and minimization of costs over the long run.

Ms. Moriarty reviewed the 2016 asset allocation and liability study of the PERS main system which included information relating to the asset allocation and liability process, the asset mix alternatives, build actuarial liability model, liquidity needs, funded status, and asset allocation options. She also reviewed the 2016 PERS retiree health insurance credit fund study which included information relating to asset mix alternatives, build actuarial liability model, liabilities, assets and funded status, actuarial liability growth projection, funded status, and asset allocation options.

Mr. Erlendsen then summarized by stating that the goal is to work with RIO to develop a mix that gets the highest return on investment without exposure to the risk of catastrophic loss. He explained the Board will determine what the risk tolerance will be for the long term. The Board had questions and discussed with Callan staff.

GROUP INSURANCE

Health Plan Renewal

Mr. Collins reviewed Deloitte's timeline for the development of the RFP with the Board.

Mr. Collins reported that relating to the operations review, Sanford Health Plan has devised a plan for conducting an audit. Mr. Sandene explained the audit process to the Board. He indicated that they will share the final audit results with NDPERS. The Board concurred that PERS proceed with the audit.

Mr. Collins indicated that staff reviewed the draft health survey with the Board at the last meeting. The purpose of the survey is to gather perceptions related to improved communications, claims processing and the call center. Mr. Klepatz, SHP, explained that the survey will be mailed to a random sampling of 7,500 members and distributed before May 30. The Board approved the survey.

Mr. Collins continued and indicated that Deloitte provided their recommended methodology to project medical and pharmacy claims expenses for the biennium beginning July 1, 2017. In the past, there was one carrier's claims history used to do the methodology. Sanford will be submitting renewal information which will detail their proposed rates for the new biennium. Mr. Collins indicated that upon switching to Sanford, the monthly paid claims showed a sharp increase.

He explained that Deloitte will prepare one estimate based on historic costs, then will prepare another estimate based primarily on Sanford's costs which will include the last 12 months. Sanford is renegotiating contracts in order to enhance their pricing advantage. Mr. Collins indicated that with two sets of methodology, it will be more reflective of the past and the future. The Board concurred with this methodology.

Mr. Collins reported that during the last bid, PERS contracted with Linda Cahn, Pharmacy Benefit Consultants. Mr. Collins shared the proposal letter from Ms. Cahn to conduct initial work in preparation for issuing a self-insured PBM pass through contract to include in the RFP. The Board discussed with staff and Ms. Murtha.

MR. SANDAL MOVED TO CONTRACT WITH PHARMACY BENEFIT CONSULTANTS BASED ON THE SCOPE OF SERVICES OUTLINED IN HER PROPOSAL LETTER. THE MOTION WAS SECONDED BY MS. ARVY SMITH.

Ayes: Senator Dever, Ms. Goodhouse, Ms. Arvy Smith, Representative Anderson, Mr. Sandal, Ms. Yvonne Smith, and Chairman Strinden

Nays: Ms. Wassim

Absent: Mr. Trenbeath

MOTION PASSED

Dental/Vision/Life Consultant Request for Proposal

Mr. Reinhardt reported that in the next two years PERS will be going out to bid on the dental, vision and life insurance plans. Included in the Board material is an RFP to secure a consultant to start the process by developing an RFP.

REPRESENTATIVE ANDERSON MOVED APPROVAL OF THE REQUEST FOR PROPOSAL FOR UNIFORM GROUP INSURANCE CONSULTING SERVICES. THE MOTION WAS SECONDED BY MS. YVONNE SMITH.

Ayes: Ms. Arvy Smith, Ms. Wassim, Ms. Goodhouse, Senator Dever, Ms. Yvonne Smith, Representative Anderson, Mr. Sandal and Chairman Strinden

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Health Plan Update

Staff provided the Board with a written update. There were no further questions.

RETIREMENT

Defined Contribution to Defined Benefit Actuarial Analysis

Staff provided the Board with a written update. There were no further questions.

Actuarial Transition Timeline

Mr. Collins indicated that PERS is currently under contract with Segal through June 30. He indicated it is likely that our new consultant, Gabriel Roeder Smith (GRS), may have to go back to Segal in July, August or September to obtain data for the transition and there would be a cost associated with this effort. Mr. Collins was seeking Board advice on whether or not to extend the Segal contract to insure that the GRS can obtain the necessary information from Segal. Ms. Schiermeister indicated that the GASB 68 employer schedules will need to be transitioned by the end of October as well. The Board discussed.

MS. YVONNE SMITH MOVED TO AMEND THE CONTRACT WITH SEGAL TO EXTEND THE FEE FOR SERVICE THROUGH OCTOBER 31, 2016. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

Ayes: Representative Anderson, Senator Dever, Ms. Goodhouse, Mr. Sandal, Mr. Arvy Smith, Ms. Yvonne Smith, Ms. Wassim and Chairman Strinden

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

TIAA Renewal

Mr. Collins reported that the six year contract with TIAA ends next year and is scheduled to go out to bid. Staff prepared a request for proposal to select a consultant to assist in development of the RFP, analyze the responses, interview vendors, review the investment options and if there is a vendor change, assist in the transition.

MR. SANDAL MOVED APPROVAL OF THE RFP FOR TECHNICAL ASSISTANCE FOR THE NDPERS 457 PLAN AND 401(A) DEFINED CONTRIBUTION PLAN. THE MOTION WAS SECONDED BY SENATOR DEVER.

Mr. Reinhardt added that, based on review by Ms. Murtha, the Agreement for Services included in the RFP will be updated with a more recent version.

Ayes: Ms. Goodhouse, Ms. Wassim, Senator Dever, Ms. Arvy Smith, Mr. Sandal, Ms. Yvonne Smith, Representative Anderson and Chairman Strinden

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

ASIFlex Renewal

Mr. Collins indicated that the Board selected ASIFlex as the vendor that administers the RHIC program for PERS members. As was discussed at the Board planning meeting in February, PERS is not in a position to be able to bring the administration of this program internally by 2017. The schedule could be deferred for two years to study this and if implemented, to include with the 2019 budget. The Board discussed.

MR. SANDAL MOVED TO STUDY AND DEFER POSSIBLE IMPLEMENTATION OF INTERNAL PROCESSING THE RHIC CLAIMS FOR TWO YEARS. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Yvonne Smith, Ms. Wassim, Mr. Sandal, Senator Dever, Ms. Goodhouse, Representative Anderson and Chairman Strinden

Nays: None

Absent: Ms. Arvy Smith and Mr. Trenbeath

MOTION PASSED

RHIC Policy

Staff provided the Board with a written update. There were no further questions.

MISCELLANEOUS

Contract Approvals

Mr. Collins indicated the contracts with Gabriel Roeder Smith, Nyhart and Heart of America were previously reviewed with the Board. All contracts have been reviewed and updated as necessary by legal counsel.

MS. WASSIM MOVED APPROVAL OF THE CONTRACTS. THE MOTION WAS SECONDED MS. YVONNE SMITH.

Ayes: Ms. Arvy Smith, Senator Dever, Ms. Wassim, Ms. Yvonne Smith, Mr. Sandal, Ms. Goodhouse and Chairman Strinden

Nays: None

Absent: Representative Anderson and Mr. Trenbeath

MOTION PASSED

Enhanced Self Service/Centralized Enrollment Process

Mr. Collins reported that last year several staff attended a presentation from a firm that offers enhanced self-service functionality to help members understand their benefits. The functionality includes a centralized enrollment methodology, including call center support. If this functionality is considered, it would need to be considered as an optional package for the 2017-19 biennium budget. The Board discussed.

MS. WASSIM MOVED THAT STAFF STUDY THIS FUNCTIONALITY AND IF APPROVED COULD BE CONSIDERED FOR THE 2019-2021 BUDGET. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

Ayes: Mr. Sandal, Senator Dever, Ms. Goodhouse, Ms. Arvy Smith, Ms. Wassim, Representative Anderson, Mr. Yvonne Smith and Chairman Strinden

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Budget

Ms. Schiermeister reviewed the draft 2017-19 biennium budget with the Board and indicated the final budget will be brought back for approval at the June meeting. She was seeking guidance on initiatives in order to finalize the 2017-19 budget. The Board concurred to include the possible office move and staffing to support self-funded group health insurance in the budget.

Board Planning

Mr. Collins reviewed the action items that were a result of the Board planning meeting in February.

Member Surveys (Flexcomp and Deferred Compensation)

Mr. Collins reported that surveys of participants in the flexcomp and defined contribution and 457 companion plans will be done in order to measure current plan satisfaction and document areas for improvement. Mr. Reinhardt indicated the surveys will be sent out this summer. The Board concurred.

Mr. Collins indicated that the International Foundation of Employee Benefits is hosting their annual conference in October and Board member travel must be approved by the Board. In the past two were approved to attend this conference and one Board member has expressed an interest.

REPRESENTATIVE ANDERSON MOVED TO APPROVE TWO BOARD MEMBERS' ATTENDANCE AT THE INTERNATIONAL FOUNDATION CONFERENCE IN OCTOBER. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Mr. Sandal, Ms. Wassim, Representative Anderson, Ms. Goodhouse, Senator Dever, Ms. Arvy Smith, Ms. Yvonne Smith and Chairman Strinden

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:20 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board